

Massachusetts Electric

A National Grid Company



Amy G. Rabinowitz
Counsel

June 23, 2004

Mary L. Cottrell, Secretary
Dept. of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

**Re: D.T.E. Docket 99-60, Investigation by the Department of
Telecommunications and Energy on its own Motion into the Pricing and
Procurement of Default Service Pursuant to G.L. c. 164, § 1B(d).**

Dear Secretary Cottrell

Massachusetts Electric Company and Nantucket Electric Company (collectively the "Companies") hereby submit the results of their most recent solicitation for Default Service prices and proposed retail rates for the Default Service pricing options for the industrial customer group resulting from the solicitation for the three month service period beginning August 1, 2004. In general, the proposed Default Service rates represent an increase from the respective Default Service rates currently in effect. I am also enclosing a motion for confidential treatment of the Company's analysis of the default service bids and selected Power Supply Agreements, and am providing the confidential analysis and selected Power Supply Agreements themselves directly to Hearing Officer Jeanne Voveris.

On May 12, 2004, the Companies issued a Request for Power Supply Proposal ("RFP") to supply 100% of the Companies' industrial customer group Default Service needs for the period August 2004 through October 2004. In addition, bidders were required to provide Zone-specific bids for each of the three Zones in which the Companies provide Default Service. The retail Default Service prices for the periods August 2004 through October 2004 for industrial Default Service resulting from the winning bids are contained in Attachment 1 to this letter.

Consistent with the Companies' Default Service prices currently in effect, the proposed Default Service rates included in this filing include an estimate of the costs associated with the Companies' compliance with the Massachusetts Renewable Portfolio Standards ("RPS") that became effective on January 1, 2003. As set forth in the confidential analysis, the Companies are procuring RPS compliant certificates for a portion of their Default Service load as part of this Default Service solicitation. A portion of the Companies' Default Service procurement does not include the purchase of RPS compliance certificates. In the past, the Department has preferred to

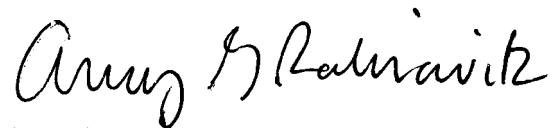
include in Default Service rates a level of RPS that was indicative of the market for RPS. Therefore, the Companies have included in their Default Service rates the value of RPS included in the winning bids for the entire Default Service load RPS obligation. The Companies believe that the RPS procurement cost for a portion of its Default Service load is a reasonable proxy for the total Default Service load covered by this solicitation.

In the Companies' last procurement, provided to the Department on March 24, 2004, the Companies' pricing excluded all commodity market and ancillary charges associated with the services due to the proposed change in the capacity market rules by ISO New England.¹ Prior to the completion of this RFP process, the Federal Energy Regulatory Commission issued an order effectively deferring any decision on proposed changes to the capacity market rules until 2006. Consequently, the Companies did not seek alternative bids without capacity market costs in this procurement.

Attachment 2 contains the Companies' calculation of the Default Service rates for the three-month fixed price option for the industrial customer group. Attachment 3 includes the revised tariff supplement to the Companies' Tariff for Default Service², containing the proposed fixed and variable Default Service rates for the periods August 2004 through October 2004 for the industrial customer group. The Companies are proposing that these rates become effective for usage on and after August 1, 2004.

Thank you very much for your time and attention to the Companies' filing.

Very truly yours,

A handwritten signature in cursive script, reading "Amy G. Rabinowitz".

Amy G. Rabinowitz

cc: DTE 99-60 Service List

¹ March 1, 2004 filing by ISO New England in FERC Docket.No. ER03-563-030.

² Both Companies' Tariff for Default Service is M.D.T.E. No. 1041.

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

Investigation by the Department of
Telecommunications and Energy on its
own motion into the Pricing and
Procurement of Default Service
Pursuant to G.L. c. 164, §1B(d)


D.T.E. 99-60

**Motion of Massachusetts Electric Company and Nantucket Electric Company
for Confidential Treatment**

Pursuant to Mass. Gen. Laws c. 25, §5D, Massachusetts Electric Company and Nantucket Electric Company (collectively "Company") hereby move for confidential treatment of the analysis of default service bids that the Company received in response to its Request for Power Supply Proposal ("RFP") requesting bids to supply its industrial default service needs for the period August 1, 2004 through October 31, 2004.

The data contained in the rankings constitutes sensitive proprietary information. Protecting this information from public disclosure is in the public interest because disclosure would make public all of the competitive bids received in the RFP process. Although participants understood that the resulting default service rates would be tied to the Companies' supply contract prices, the disclosure of all of the competing bids could have adverse competitive effects on future bids for default service, not only for the Companies, but also for other utilities in the state that will need to seek bids for default service.

Respectfully submitted,
MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
By their attorney,

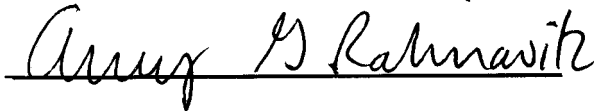

Amy G. Rabinowitz
25 Research Drive
Westboro, MA 01582

Dated: June 23, 2004

CERTIFICATE OF SERVICE

I hereby certify that on June 23, 2004, I served a copy of the Motion of Massachusetts Electric Company and Nantucket Electric Company for Confidential Treatment on the Service List in D.T.E. 99-60 by personal delivery or first class mail.

Signed under the pains and penalties of perjury

A handwritten signature in cursive script, reading "Amy G. Rabinowitz", is written over a horizontal line.

Amy G. Rabinowitz
Attorney for Massachusetts Electric Company and
Nantucket Electric Company

Dated: June 23, 2004

ATTACHMENT 1

**Massachusetts Electric Company
Nantucket Electric Company**

**Default Service Prices (cents per kWh at retail)
Industrial: August 2004 - October 2004**

Customer Group	Contract Month	1	2	3
	Calendar Month	8	9	10
	Year	2004	2004	2004
Industrial				
SEMA		7.576	6.726	6.593
WCMA		7.727	6.844	6.636
NEMA		7.829	6.865	6.650
Portion of load served		100%	100%	100%

Footnotes

1) Monthly prices calculated as the average cost of supply (converted to retail delivery) in a confidential submission under separate cover.

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
Docket D.T.E. 99-60

ATTACHMENT 2

**Massachusetts Electric Company
Nantucket Electric Company**
Summary of Proposed Default Service Charges
August 2004 - October 2004

		Zonal Default Service Charges		
		NEMA	SEMA	WCMA
		Industrial	Industrial	Industrial
		<u>(G-2, G-3)</u>	<u>(G-2, G-3)</u>	<u>(G-2, G-3)</u>
		(a)	(b)	(c)
<u>Section 1: Variable Default Service Charges, ¢/kWh</u>				
(1)	August 2004	7.829	7.576	7.727
(2)	September 2004	6.865	6.726	6.844
(3)	October 2004	6.650	6.593	6.636
<u>Section 2: Fixed Default Service Charge, ¢/kWh</u>				
(4)	August 2004 - October 2004	7.124	6.973	7.078
		<hr/>		
(1)	NEMA G-2,G-3: Page 2, Line (8c), Column (a) SEMA G-2,G-3: Page 3, Line (8c), Column (a) WCMA G-2,G-3: Page 4, Line (8c), Column (a)			
(2)	NEMA G-2,G-3: Page 2, Line (8c), Column (b) SEMA G-2,G-3: Page 3, Line (8c), Column (b) WCMA G-2,G-3: Page 4, Line (8c), Column (b)			
(3)	NEMA G-2,G-3: Page 2, Line (8c), Column (c) SEMA G-2,G-3: Page 3, Line (8c), Column (c) WCMA G-2,G-3: Page 4, Line (8c), Column (c)			
(4)	NEMA G-2,G-3: Page 2, Line (10), Column (d) SEMA G-2,G-3: Page 3, Line (10), Column (d) WCMA G-2,G-3: Page 4, Line (10), Column (d)			

**Massachusetts Electric Company
Nantucket Electric Company**
NEMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
August 2004 - October 2004

Section 1: Percentage of Industrial kWhs Attributable to Default Service in NEMA

(1)	May 2004 Industrial Default Service kWhs in the NEMA Zone	23,129,353
(2)	May 2004 Total Industrial kWhs	870,978,788
(3)	Percentage of NEMA Industrial Default Service kWhs to Total Industrial kWhs	2.66%

Section 2: Projected NEMA Industrial Default Service kWhs, August 2004 - October 2004

	2004 <u>August</u> (a)	<u>September</u> (b)	<u>October</u> (c)	<u>Total</u> (d)
(4)	Projected Total Company Industrial kWhs	999,688,476	983,087,398	945,882,834
(5)	Percentage of NEMA Industrial Default Service kWhs to Total Industrial kWhs	<u>2.66%</u>	<u>2.66%</u>	<u>2.66%</u>
(6)	Projected NEMA Industrial Default Service kWhs	26,547,314	26,106,463	25,118,474
				77,772,251

Section 3: Weighted Average NEMA Industrial Default Service Charge for August 2004 - October 2004

(7)	Projected NEMA Industrial Default Service kWhs	26,547,314	26,106,463	25,118,474	77,772,251
(8a)	NEMA Industrial Default Service Price per kWh (including RSP Compliance)	\$0.07829	\$0.06865	\$0.06650	
(8b)	Estimated Price per kWh of RPS Compliance	<u>\$0.00000</u>	<u>\$0.00000</u>	<u>\$0.00000</u>	
(8c)	Total Estimated NEMA Industrial Default Service Price per kWh	\$0.07829	\$0.06865	\$0.06650	
(9)	Projected NEMA Industrial Default Service Cost, August 2004 - October 2004	\$2,078,389	\$1,792,209	\$1,670,379	<u>\$5,540,976</u>
(10)	Weighted Average NEMA Industrial Default Service Charge, Fixed Price Option, for August 2004 - October 2004				\$0.07124
(11)	Currently Effective NEMA Industrial Default Service Charge, Fixed Price Option				\$0.07155
(12)	Proposed Decrease to NEMA Industrial Default Service Charge, Fixed Price Option				(\$0.00031)

(1)	Per Company billing records based upon Load Zone designation for each customer account
(2)	May 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3)	Line (1) ÷ Line (2)
(4)	Per Company forecast
(5)	Line (3)
(6)	Line (4) x Line (5)
(7)	Line (6)
(8a)	Attachment 1, Industrial
(8b)	Price for RPS compliance included in Line (8a); price for 2 blocks not supplied by supplier assumed as same price as price for 1 block being supplied by supplier.
(8c)	Line (8a) + Line (8b)
(9)	Line (7) x Line (8c)
(10)	Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11)	Per Company tariff
(12)	Line (10) - Line (11)

**Massachusetts Electric Company
Nantucket Electric Company**
SEMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
August 2004 - October 2004

Section 1: Percentage of Industrial kWhs Attributable to Default Service in SEMA

(1)	May 2004 Industrial Default Service kWhs in the SEMA Zone	34,334,142
(2)	May 2004 Total Industrial kWhs	870,978,788
(3)	Percentage of SEMA Industrial Default Service kWhs to Total Industrial kWhs	3.94%

Section 2: Projected SEMA Industrial Default Service kWhs, August 2004 - October 2004

	2004 <u>August</u> (a)	<u>September</u> (b)	<u>October</u> (c)	<u>Total</u> (d)
(4)	Projected Total Company Industrial kWhs	999,688,476	983,087,398	945,882,834 2,928,658,708
(5)	Percentage of SEMA Industrial Default Service kWhs to Total Industrial kWhs	<u>3.94%</u>	<u>3.94%</u>	<u>3.94%</u>
(6)	Projected SEMA Industrial Default Service kWhs	39,407,901	38,753,484	37,286,873 115,448,258

Section 3: Weighted Average SEMA Industrial Default Service Charge for August 2004 - October 2004

(7)	Projected SEMA Industrial Default Service kWhs	39,407,901	38,753,484	37,286,873	115,448,258
(8a)	SEMA Industrial Default Service Price per kWh (including RSP Compliance)	\$0.07576	\$0.06726	\$0.06593	
(8b)	Estimated Price per kWh of RPS Compliance	<u>\$0.00000</u>	<u>\$0.00000</u>	<u>\$0.00000</u>	
(8c)	Total Estimated SEMA Industrial Default Service Price per kWh	\$0.07576	\$0.06726	\$0.06593	
(9)	Projected SEMA Industrial Default Service Cost, August 2004 - October 2004	\$2,985,543	\$2,606,559	\$2,458,324	<u>\$8,050,425</u>
(10)	Weighted Average SEMA Industrial Default Service Charge, Fixed Price Option, for August 2004 - October 2004				\$0.06973
(11)	Currently Effective SEMA Industrial Default Service Charge, Fixed Price Option				\$0.06602
(12)	Proposed Increase to SEMA Industrial Default Service Charge, Fixed Price Option				\$0.00371

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- (1) Per Company billing records based upon Load Zone designation for each customer account
(2) May 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
(5) Line (3)
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(8a) Attachment 1, Industrial
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(8c) Line (8a) + Line (8b)
(9) Line (7) x Line (8c)
(10) Line (9) total ÷ Line (7) total, truncated after 5 decimal places
(11) Per Company tariff
(12) Line (10) - Line (11)

Massachusetts Electric Company
Nantucket Electric Company
WCMA Industrial Fixed Default Service Charge
(Rates G-2 and G-3)
Based on Weighted Average Effective Default Service Prices
August 2004 - October 2004

Section 1: Percentage of Industrial kWhs Attributable to Default Service in WCMA

(1)	May 2004 Industrial Default Service kWhs in the WCMA Zone	69,858,351
(2)	May 2004 Total Industrial kWhs	870,978,788
(3)	Percentage of WCMA Industrial Default Service kWhs to Total Industrial kWhs	8.02%

Section 2: Projected WCMA Industrial Default Service kWhs, August 2004 - October 2004

		2004 <u>August</u> (a)	<u>September</u> (b)	<u>October</u> (c)	<u>Total</u> (d)
(4)	Projected Total Company Industrial kWhs	999,688,476	983,087,398	945,882,834	2,928,658,708
(5)	Percentage of WCMA Industrial Default Service kWhs to Total Industrial kWhs	<u>8.02%</u>	<u>8.02%</u>	<u>8.02%</u>	
(6)	Projected WCMA Industrial Default Service kWhs	80,181,733	78,850,215	75,866,159	234,898,106

Section 3: Weighted Average WCMA Industrial Default Service Charge for August 2004 - October 2004

(7)	Projected WCMA Industrial Default Service kWhs	80,181,733	78,850,215	75,866,159	234,898,106
(8a)	WCMA Industrial Default Service Price per kWh (including RSP Compliance)	\$0.07727	\$0.06844	\$0.06636	
(8b)	Estimated Price per kWh of RPS Compliance	<u>\$0.00000</u>	<u>\$0.00000</u>	<u>\$0.00000</u>	
(8c)	Total Estimated WCMA Industrial Default Service Price per kWh	\$0.07727	\$0.06844	\$0.06636	
(9)	Projected WCMA Industrial Default Service Cost, August 2004 - October 2004	\$6,195,642	\$5,396,509	\$5,034,478	<u>\$16,626,629</u>
(10)	Weighted Average WCMA Industrial Default Service Charge, Fixed Price Option, for August 2004 - October 2004				\$0.07078
(11)	Currently Effective WCMA Industrial Default Service Charge, Fixed Price Option				\$0.06933
(12)	Proposed Increase to WCMA Industrial Default Service Charge, Fixed Price Option				\$0.00145

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- (1) Per Company billing records based upon Load Zone designation for each customer account
(2) May 2004 DOER Form 110, sum of Mass. Electric and Nantucket Electric (Rates G-2 and G-3)
(3) Line (1) ÷ Line (2)
(4) Per Company forecast
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(12) Line (10) - Line (11)

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY
Docket D.T.E. 99-60

ATTACHMENT 3

MASSACHUSETTS ELECTRIC COMPANY
NANTUCKET ELECTRIC COMPANY

SUPPLEMENT TO TARIFF FOR DEFAULT SERVICE

FOR THE PERIOD MAY 2004 THROUGH OCTOBER 2004

In accordance with the terms of the Tariff for Default Service, the rates for Default Service for customers receiving such service from the Company, are as follows. All rates will be applied as a uniform ¢ per kWh charge, for usage on and after the first day of each calendar month.

	Rate Tariff					
	R-1, R-2 <u>R-4, E</u>	<u>G-1</u>	<u>G-2, G-3</u>			S-1, S-2 <u>S-3, S-5, S-20</u>
			<u>SEMA</u>	<u>WCMA</u>	<u>NEMA</u>	
Fixed Price Option:	6.018¢	6.221¢	6.973¢	7.078¢	7.124¢	6.221¢
Variable Price Option:						
May 2004	5.465¢	5.554¢	n/a	n/a	n/a	5.554¢
June 2004	5.962¢	6.227¢	n/a	n/a	n/a	6.227¢
July 2004	6.458¢	6.779¢	n/a	n/a	n/a	6.779¢
August 2004	6.504¢	6.839¢	7.576¢	7.727¢	7.829¢	6.839¢
September 2004	5.860¢	6.006¢	6.726¢	6.844¢	6.865¢	6.006¢
October 2004	5.673¢	5.744¢	6.593¢	6.636¢	6.650¢	5.744¢

The Fixed Price Option for Residential and Commercial customer groups (R-1, R-2, R-4, E, G-1, S-1, S-2, S-3, S-5, S-20) is effective for the period May 1, 2004 through October 31, 2004. The Fixed Price Option for the Industrial customer group (G-2, G-3) is effective for the period August 1, 2004 through October 31, 2004.

Effective: August 1, 2004